

Quarterly report

For the period ended 31 December 2019



Highlights



Senex Energy Ltd (Senex, ASX: SXY) achieved significant growth and outstanding operational performance during the second quarter of FY20. Highlights include:

- **Quarterly production up 35% to 447 kboe:** Gas production up 72% to 261 kboe from continuing Roma North ramp-up and initial production from Atlas and the Gemba field; oil production up 3% to 186 kboe
- **Quarterly revenue up 23% to \$29 million:** Gas revenue up 64% to \$10 million; first gas sales achieved from Atlas and the Gemba field
- **Gas production outperformance in the Surat Basin:** Roma North production has exceeded 13.5 TJ/day; Atlas producing above 6.5 TJ/day from 23 wells during early ramp-up phase
- **Stable performance from Surat Basin gas processing facilities:** Excellent uptime performance at Roma North facility; Atlas facility in final phase of commissioning
- **49 wells drilled in current campaign:** 33 wells on production with the remainder online in coming weeks
- **New Atlas gas sales agreements signed:** Total contracted volumes of more than 32 PJ to six customers; gas sales to CleanCo, CSR and Orora successfully commenced
- **Surat Basin gas development program being delivered on schedule and on budget:** Continuing to deliver all stated project milestones
- **Successful progress in the Cooper Basin:** First gas sales from the Gemba field; free-carry drilling program completed; material exploration targets identified from Westeros 3D survey

Comments from Managing Director and CEO Ian Davies:

"This was a stand-out quarter for Senex as new gas molecules were delivered to the domestic market and gas production in the Surat Basin outperformed.

"We have now reached 20 TJ/day of gas production in the Surat Basin. With existing wells continuing to ramp and more new wells to be brought online in coming weeks, this growth trajectory is expected to continue.

"Production performance clearly demonstrated the quality and potential of our Surat Basin acreage, and the execution capabilities of the Senex team. We have significant running room ahead with 612 PJ of 2P gas reserves booked and more acreage to be appraised.

"In the Cooper Basin, completing the free-carry drilling campaign and interpretation of the Westeros 3D survey have provided a large inventory of material exploration and appraisal leads to pursue.

"Senex starts 2020 with most of its Surat Basin gas development program successfully delivered, gas production rates continuing to outperform and great progress in the Cooper Basin.

"We are delighted with our operational and production performance to date, and we look forward to continuing to deliver the potential of our Surat Basin assets."

Key performance metrics	December Q2 FY19	September Q1 FY20	December Q2 FY20	Qtr on Qtr Change	FY20 YTD
Net production (kboe)	276	332	447	35%	779
Net sales volumes (kboe)	264	319	400	25%	719
Sales revenue (\$ million)	17.2	23.9	29.4	23%	53.3
Average realised oil price (\$/bbl)	78	100	112	12%	106
Net cash / (debt) (\$ million)	39.0	31.6	(2.3)	(\$33.9m)	(2.3)

Financial



Sales volumes and revenue

Sales volumes of 400 kboe were 25% higher than the prior quarter, with oil sales volumes broadly flat and gas sales volumes up 61%. Increased gas sales volumes were underpinned by continuing production ramp-up at Roma North and initial production from Atlas and the Gemba field.

Sales revenue of \$29.4 million was 23% higher than the prior quarter and included a 64% increase in gas revenue to \$9.7 million. The average realised Australian dollar oil price was up 12% to \$112/bbl (Q1 FY20: \$100/bbl)¹.

Sales volumes and revenue	December Q2 FY19	September Q1 FY20	December Q2 FY20	Qtr on Qtr Change	FY20 YTD
Net oil sales volumes (kbbbl)	170	180	176	(2%)	356
Net gas and gas liquids sales volumes (kboe)	94	139	224	61%	363
Total net sales volumes (kboe)	264	319	400	25%	719
Oil sales revenue (\$ million)	13.3	18.0	19.7	9%	37.7
Gas and gas liquids sales revenue (\$ million)	3.8	5.9	9.7	64%	15.6
Total sales revenue (\$ million)	17.2	23.9	29.4	23%	53.3
Average realised oil price (\$/bbl)	78	100	112	12%	106
Average realised sales price (\$/boe)	65	75	74	(1%)	74

NB. Totals throughout report may not add due to rounding

Hedging

Senex continues to operate a proactive hedging policy. A total of 516,235 barrels of oil equivalent production is hedged for the six months ending 30 June 2020 and the 12 months ending 30 June 2021 using swaps with average monthly strike prices between A\$88/bbl and A\$95/bbl.

Oil swaps	FY20 (Jan.–June)	FY21
Volume (kbbbl)	199	318
Weighted average swap price (A\$/bbl)	95	90

¹ Senex recognises revenue using the accrual accounting method. For Senex oil sales, revenue is accrued at provisional prices when oil is delivered to the SACB JV at Moomba. Final price is determined and an adjustment recorded when oil is shipped to the end customer, around 70 days later. Consequently, in a rising oil price environment, the average realised oil price in a quarter may be higher due to re-pricing of the prior quarter's accrued volumes at the higher prevailing spot price. The opposite effect can occur in a declining oil price environment.

Financial



Capital expenditure

Net capital expenditure of \$38.7 million included drilling, well completions and construction of gathering networks for the Surat Basin gas development program, and completion of the free-carry drilling campaign in the Cooper Basin².

\$ million	December Q2 FY19	September Q1 FY20	December Q2 FY20	Qtr on Qtr Change	FY20 YTD
Exploration and appraisal	14.8	2.9	3.5	21%	6.4
Development, plant and equipment	24.1	37.7	40.9	8%	78.6
Capital expenditure incurred (gross)	38.8	40.6	44.4	9%	85.0
Less: Cooper Basin free-carry ²	(13.1)	0.0	(5.7)	(\$5.7m)	(5.7)
Capital expenditure (net to Senex)	25.7	40.6	38.7	(5.0%)	79.3

Liquidity

Senex ended the quarter with cash reserves of \$122.7 million and drawn debt of \$125.0 million. Senex's senior secured debt facility is now fully drawn. For details of the facility, refer to ASX announcement of 29 October 2018.

\$ million	December Q2 FY19	September Q1 FY20	December Q2 FY20	Qtr on Qtr Change
Cash reserves	74.0	96.6	122.7	27%
Drawn debt	35.0	65.0	125.0	92%
Net cash / (debt)	39.0	31.6	(2.3)	(\$33.9m)

² As announced on 16 April 2018, Senex and Beach agreed the transfer of up to \$43 million (gross) of free-carry commitment from the joint venture's unconventional gas project to the Cooper Basin western flank oil assets. No additional interest in the Cooper Basin western flank oil assets will be earned by Beach through this free-carry arrangement.

Operations



Production

Oil and gas production of 447 kboe was 35% higher than the prior quarter. Oil production was up 3% and gas and gas liquids production up 72% from continuing ramp-up at Roma North and initial production from Atlas and the Gemba field.

Production	December Q2 FY19	September Q1 FY20	December Q2 FY20	Qtr on Qtr Change	FY20 YTD
Oil (kbbbl)	178	180	186	3%	366
Gas and gas liquids (kboe)	99	152	261	72%	413
Total net production (kboe)	276	332	447	35%	779

NB. Preliminary Cooper Basin production data for current quarter

Cooper Basin

Cooper Basin oil and gas production of 221 kboe was 13% higher than the prior quarter. Natural oil field decline was offset by increased production from the Growler and Spitfire fields following workover activity completed in late Q1 FY20. Gas and gas liquids production was up 132% to 35 kboe, assisted by initial production from the Gemba field which came online in late November 2019.

Surat Basin

Surat Basin gas production of 226 kboe was 65% higher than the prior quarter. At Roma North, production was up 42% to 195 kboe due to continuing ramp-up of existing wells and contribution from 10 new wells brought online during Q1 FY20. Roma North production has exceeded 13.5 TJ/day and is tracking towards the plant's initial capacity of 16 TJ/day (6 PJ/year).

At Atlas, first gas production was announced on 8 October 2019, marking delivery of a greenfield natural gas development within 18 months from grant of the Petroleum Lease. Atlas recorded gas production of 31 kboe for the quarter, with produced gas flared during completion of the gas processing facility and initial stages of commissioning. The first 23 wells of the current campaign are online and producing above 6.5 TJ/day during the early ramp-up phase, with most wells online for less than nine weeks.

Production has been supported by stable performance from the Surat Basin gas processing facilities. Senex's infrastructure partner Jemena is achieving excellent uptime performance at Roma North and the Atlas facility is in the final commissioning phase.

Drilling

Cooper Basin

Senex and Beach completed the Cooper Basin free-carry drilling program during the quarter.

Well name	Area	Interest	Objective	Well status
Snatcher 12	Cooper Basin	60%	Waterflood secondary recovery ³	C&S, successful
Snatcher North 2	Cooper Basin	60%	Step-out appraisal of the Snatcher North field	P&A due to lack of sufficient pay
Snatcher North 3	Cooper Basin	60%	Waterflood secondary recovery ³	C&S, successful
Growler Northeast 2 (horizontal)	Cooper Basin	60%	Appraisal of the northern extent of the Growler field; development of Growler Northeast field; 2.9 km lateral section	C&S, successful

³ Waterflood secondary recovery is a means of improving oil recovery by maintaining pressure in the formation and improving sweep efficiency. Maintaining pressure is accomplished by injecting water of suitable quality into the target formation in sufficient quantity to compensate for the fluid removed from the reservoir through production.

Operations



Drilling (continued)

Surat Basin

In April 2019, Senex awarded the drilling contract for its Surat Basin campaign to experienced oil and gas services provider, Easternwell. The first well spudded on 5 June 2019 and 49 wells of the current campaign have since been drilled and completed, including 26 wells at Roma North and 23 wells at Atlas. Easternwell Rig 27 is currently drilling at Roma North and is expected to return to Atlas in February 2020 to drill the remaining wells.

Q2 FY20 Surat Basin wells

Well name	Area	Interest	Well status
Eos 23	Roma North	100%	C&S, successful
Eos 24	Roma North	100%	C&S, successful
Eos 25	Roma North	100%	C&S, successful
Eos 26	Roma North	100%	C&S, successful
Eos 19	Roma North	100%	C&S, successful
Eos 22	Roma North	100%	C&S, successful
Eos 21	Roma North	100%	C&S, successful
Eos 27	Roma North	100%	C&S, successful
Eos 29	Roma North	100%	C&S, successful
Eos 16	Roma North	100%	C&S, successful
Atlas 19	Atlas	100%	C&S, successful
Atlas 14	Atlas	100%	C&S, successful
Atlas 15	Atlas	100%	C&S, successful
Atlas 24	Atlas	100%	C&S, successful
Atlas 20	Atlas	100%	C&S, successful
Atlas 22	Atlas	100%	C&S, successful
Atlas 5	Atlas	100%	C&S, successful
Atlas 6	Atlas	100%	C&S, successful
Atlas 8	Atlas	100%	C&S, successful
Atlas 9	Atlas	100%	C&S, successful
Atlas 7	Atlas	100%	C&S, successful
Atlas 3	Atlas	100%	C&S, successful
Atlas 2	Atlas	100%	C&S, successful



Drilling at Atlas

Exploration and Development



Surat Basin

Senex is rapidly progressing its Surat Basin natural gas developments, and in doing so is achieving its goal of becoming a material supplier of gas to the east coast market. Significant progress and important milestones were achieved during the quarter, as outlined below.

Atlas milestones

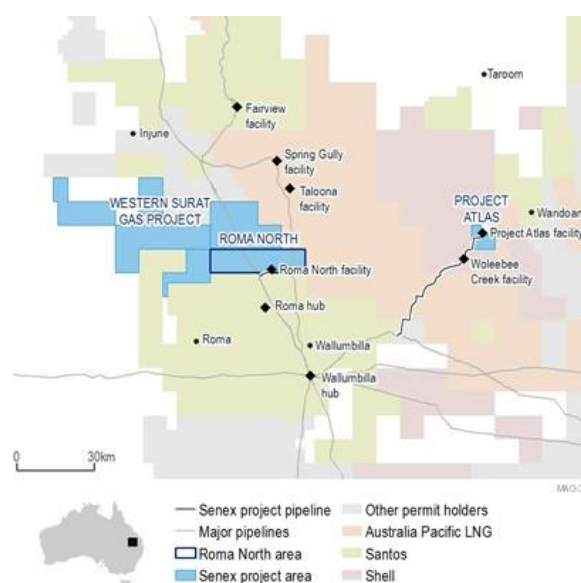
- **First gas sales achieved ahead of schedule.** Delivery of first gas is a major milestone achieved in what is believed to be record time for a greenfield project. This milestone also marks delivery of new gas molecules from Australia’s first acreage dedicated to the domestic market. Initial volumes were sold to CleanCo, the new Queensland Government-owned corporation focused on delivering affordable clean energy, with sales to CSR and Orora from 1 January 2020.
- **Gas processing facility construction completed with processing and transportation operations commenced.** In June 2018, Senex partnered with major energy infrastructure provider Jemena to build, own and operate the 40 TJ/day gas processing facility (which includes 8 TJ/day of installed redundant capacity) and the 60 km buried pipeline to the Wallumbilla Hub. During the quarter Jemena completed construction of both the facility and pipeline, and also commenced commissioning. The final stage of commissioning and performance testing is now underway.
- **Continuation of drilling campaign.** Thirteen wells were spudded during the quarter and 23 wells of the current campaign have been drilled and completed to date. Drilling results have been excellent, with net coal intersections of up to 48 metres.
- **Strong initial gas ramp-up and production outperformance.** The first 23 wells of the current campaign are online and producing above 6.5 TJ/day, with most wells online for less than nine weeks. Production continues to increase during this early ramp-up phase.

Roma North milestones

- **Continuation of drilling campaign.** Ten wells were spudded during the quarter and 26 wells of the current campaign have been drilled and completed to date.
- **Production outperformance.** Roma North production has exceeded 13.5 TJ/day and is tracking towards the plant’s initial capacity of 16 TJ/day (6 PJ/year). Ten wells from the current campaign are online and the remainder will be brought online in the coming weeks.

Expected timing for the remainder of the Surat Basin gas development program is set out below.

Milestone	Expected timing
Roma North first sales specification gas	Completed
Complete commissioning of Roma North gas processing facility	Completed
Atlas first sales specification gas	Completed
Sign additional Atlas gas sales agreements for 2020 delivery	Completed
Complete commissioning of Atlas gas processing facility	Q3 FY20
Complete integrated drilling campaign	Mid 2020
Achieve 18 PJ/year initial plateau production from Roma North and Atlas	End FY21



Surat Basin gas development program acreage

Exploration and Development



Surat Basin gas development program on schedule and on budget



49 wells of current campaign drilled and completed; drilling efficiencies continue to improve



New wells being progressively brought online; 33 wells of 49 drilled on production; all wells online in coming weeks



Roma North gas field has exceeded 13.5 TJ/day production



60 km Atlas pipeline completed in October 2019



Atlas gas field producing above 6.5 TJ/day from 23 wells during early ramp-up phase



First Atlas gas sales made to CleanCo in December 2019 and to CSR and Orora on 1 January 2020

Exploration and Development



Cooper Basin

Gemba gas discovery

The Gemba field (PEL 516: Senex 100% and operator) is located on the south-west margin of the Allunga Trough, about 5 km from existing infrastructure and 37 km south-west of the Moomba processing facility. The field was discovered in late 2018 with subsequent testing supporting ultimate gas recovery estimates of ~15 Bcf, subject to successful field development (refer ASX announcement of 29 August 2019). Evaluation of development opportunities is currently underway.

As announced on 5 December 2019, following successful tie-in to the Santos-operated gathering network, the SACB JV is now processing raw gas from the Gemba field under a gas processing agreement. Sales gas is being sold to the Pelican Point Power Station in South Australia under a fixed price gas sales agreement in line with current market prices. Associated liquids, including ethane, LPG and condensate, are being sold to the SACB JV as part of the gas processing agreement. Gemba 1 is expected to contribute additional production of around 0.1 mmbob in FY20.

Senex received a PACE Gas Grant of \$5.26 million from the South Australian Government to progress the Gemba project.

Westeros 3D seismic survey

Processing of the ~600sq km Westeros 3D seismic survey in PEL 639 (Senex 100% and operator) and PEL 93 (Senex 70% and operator, Cooper 30%) was completed during the quarter. A number of closures were mapped and material exploration targets identified. These targets are currently being reviewed and the first wells from the survey are expected to be drilled in early FY21. The primary objective of the survey is to test a southern extension of the western flank, including the highly prospective Namur Sandstone and McKinlay and Birkhead formations.

FY20 drilling campaign

Senex and Beach successfully completed the Cooper Basin free-carry drilling program during the quarter. Three of four wells drilled achieved objectives, as detailed in the Operations section of this Quarterly Report. Results are currently under review with a focus on follow-up development opportunities in the Growler and Spitfire fields.

Commercial and Corporate

Expanded long term gas sales agreement with Orora

As announced on 11 December 2019, Senex expanded its gas sales agreement with leading domestic manufacturer Orora, agreeing to supply 13.2 PJ of natural gas from Atlas. This follows the original two-year gas sales agreement with Orora for supply of 3.3 PJ of natural gas from 1 January 2020, as announced on 1 May 2019.

The expanded gas sales agreement will see Senex supply a further 9.9 PJ of natural gas from Atlas over six years from 2022 to 2027, bringing total contracted volumes under this gas sales agreement to 13.2 PJ. Gas will be supplied at the Wallumbilla Gas Hub in Queensland at market prices escalated annually by CPI.

Additional Atlas gas sales agreements

During the quarter, Senex signed gas sales agreements with new customers, including CleanCo and other domestic customers, for varying volumes, tenors and supply terms. In aggregate, more than 4 PJ of natural gas will be supplied under these new agreements through to 31 December 2020. Gas will be supplied into the domestic market at the Wallumbilla Gas Hub in Queensland at market prices.

Senex has now contracted more than 32 PJ of natural gas from Atlas (including potential contract volume expansions and term extensions), including a significant portion of expected production in 2020.

Glossary



\$	Australian dollars	JV	Joint venture
ASX	Australian Securities Exchange operated by ASX Ltd	kbbbl	Thousand barrels of oil
ATP	Authority to Prospect - granted under the Petroleum Act 1923 (Qld) or the Petroleum Gas (Production and Safety) Act 2004 (Qld)	kboe	Thousand barrels of oil equivalent
bbl	Barrels - the standard unit of measurement for all oil and condensate production. One barrel = 159 litres or 35 imperial gallons	mmbbl	Million barrels of oil
Bcf	Billion cubic feet	mmboe	Million barrels of oil equivalent
Beach	Beach Energy Ltd	mmscfd	Million standard cubic feet of gas per day
boe	Barrels of oil equivalent - the volume of hydrocarbons expressed in terms of the volume of oil which would contain an equivalent volume of energy	mscfd	Thousand standard cubic feet of gas per day
boepd	Barrels of oil equivalent per day	P&A	Plugged and abandoned
bopd	Barrels of oil per day	PEL	Petroleum Exploration Licence granted under the Petroleum and Geothermal Energy Act 2000 (SA)
C&S	Cased and suspended	PJ	Petajoule
Cooper	Cooper Energy Ltd	PL	Petroleum Lease granted under the Petroleum Act 1923 (Qld) or the Petroleum Gas (Production and Safety) Act 2004 (Qld)
EPBC	Environment Protection and Biodiversity Conservation Act	PPL	Petroleum production licence granted under the Petroleum and Geothermal Energy Act 2000 (SA)
FY	Financial year	PRL	Petroleum retention licence granted under the Petroleum and Geothermal Energy Act 2000 (SA)
GJ	Gigajoule	PRRT	Petroleum Resource Rent Tax
GLNG	Gladstone Liquefied Natural Gas, a JV between Santos, PETRONAS, Total and KOGAS	Q, Qtr	Quarter
GSA	Gas sales agreement	SACB JV	South Australia Cooper Basin JV, which involves Santos (as operator) and Beach
		Senex	Senex Energy Ltd
		TJ	Terajoule
		WSGP	Western Surat Gas Project
		YTD	Year to date

Further Information

Conference call

Senex Managing Director and CEO Ian Davies and Chief Financial Officer Mark McCabe will hold a conference call to discuss these quarterly results.

Date: Thursday, 23 January 2020

Time: 10.00am AEST (Brisbane); 11.00am AEDT (Sydney, Melbourne)

The conference call will be streamed live and can be accessed via the Senex company page on the Open Briefing website: <http://www.openbriefing.com/OB/3656.aspx>

A recording of the conference call will be available from 5.00pm AEST via the same link.

About Senex

Senex is an ASX-listed, growing and independent Australian oil and gas company with a 30-year history. We manage a strategically positioned portfolio of onshore oil and gas assets in Queensland and South Australia, with access to Australia's east coast energy market. Senex is focused on creating sustainable value for shareholders by leveraging our capability as a low cost, efficient and safe explorer and producer.

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